

PUBLIC DISCLOSURE

AUGUST 16, 2004

COMMUNITY REINVESTMENT ACT PERFORMANCE EVALUATION

THE VILLAGE BANK

307 AUBURN STREET
NEWTON, MA 02466

DIVISION OF BANKS
ONE SOUTH STATION
BOSTON, MA 02110

<p>NOTE: This evaluation is not, nor should it be construed as, an assessment of the financial condition of this institution. The rating assigned to this institution does not represent an analysis, conclusion or opinion of the Division of Banks concerning the safety and soundness of this financial institution.</p>
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GENERAL INFORMATION

The Community Reinvestment Act ("CRA") requires the Massachusetts Division of Banks ("Division") to use its authority when examining financial institutions subject to its supervision, to assess the institution's record of meeting the needs of its entire assessment area, including low and moderate-income neighborhoods, consistent with safe and sound operation of the institution. Upon conclusion of such examination, the Division must prepare a written evaluation of the institution's record of meeting the credit needs of its community.

This document is an evaluation of the CRA performance of **THE VILLAGE BANK (or the "Bank")** prepared by the Division, the institution's supervisory agency, as of **AUGUST 16, 2004**. The Division evaluates performance in the assessment area(s), as they are defined by the institution, rather than individual branches. This assessment area evaluation may include the visits to some, but not necessarily all of the institution's branches. The Division rates the CRA performance of an institution consistent with the provisions set forth in 209 CMR 46.00.

INSTITUTION'S CRA RATING: This institution is rated "Satisfactory"

The Village Bank's overall CRA performance reflects the degree of its commitment in helping to meet the credit needs of its assessment area. The Bank was evaluated according to the CRA Large Institution Examination Procedures, involving three tests: the Lending Test, the Investment Test and the Service Test. These tests were conducted to determine the Bank's overall CRA performance rating for calendar years 2002 and 2003.

LENDING, INVESTMENT, AND SERVICE TEST TABLE

The following table indicates the performance level of **THE VILLAGE BANK, NEWTON, MASSACHUSETTS**, with respect to the lending, investment, and service tests.

PERFORMANCE TESTS The Village Bank			
Performance Levels	Lending Test*	Investment Test	Service Test
Outstanding			
High Satisfactory	X		X
Satisfactory		X	
Needs to Improve			
Substantial Non-Compliance			

*Note: The Lending Test is weighed more heavily than the Service and Investment Tests when arriving at an overall rating.

DESCRIPTION OF INSTITUTION

On September 22, 2003, Auburndale Co-operative Bank merged with Newton South Co-operative Bank under the new name of The Village Bank. This is the first examination for compliance with the Community Reinvestment Act for The Village Bank, which is being examined utilizing the Large Bank CRA examination procedures.

The Village Bank is a state-chartered financial institution headquartered in the Auburndale section of Newton, Massachusetts. The Bank has 6 full-service offices including the full-service main office location. The other branch offices are located in the following areas: The City of Newton villages of Newton Highlands, Newtonville, Nonantum, Waban, and the Town of Wayland. The census tract income level for the main office and branch locations are designated as upper-income with the exception of the Newton Highland and Nonantum branch office locations, which are located in middle-income census tracts.

As of June 30, 2004, The Village Bank had total assets of \$482.2 million. Total loans, as of this date, were \$293.5 million. The Bank's loan portfolio is comprised predominately of residential real estate loans. As of June 30, 2004, loans secured by 1-to-4 family residential properties accounted for \$191.1 million, or 65.1 percent of the total loan portfolio. The emphasis has been primarily residential in the past; however, the Bank has become more active in nonfarm nonresidential lending. Loans secured by nonfarm nonresidential properties accounted for \$44.3 million, or 15.1 percent of the loan portfolio. Construction and land development loans followed accounting for 13.5 percent. Commercial and Industrial Loans accounted for 3.9 percent. Consumer loans, loans secured by multi-family 5 or more unit residential properties and other obligations accounted for less than 5 percent of the remaining loan portfolio.

An analysis of the Bank's loan-to-assets was also conducted. The Bank's Federal Deposit Insurance Corporation's ("FDIC") Call Reports and Uniform Bank Performance Report ("UBPR") data were utilized to determine the average loan-to-asset ratio for the last eight quarterly time periods beginning September 30, 2002, and ending June 30, 2004. The data indicated that the net loan-to-asset ratio averaged 62.5 percent for that period. As of June 30, 2004, the net loan-to-asset ratio stood at 60.3 percent. As of June 30, 2004, the net loan-to-deposit ratio stood at 67.5 percent.

The FDIC examined Auburndale Co-operative Bank for compliance with the Community Reinvestment Act as on July 31, 2002. The Bank was examined utilizing the Small Bank CRA procedures at that time and received a CRA rating of "Satisfactory." Auburndale Co-operative Bank was last examined for compliance with the Community Reinvestment Act by the Division of Banks on August 3, 1998. On October 2003, the Auburndale Co-operative Bank merged with Newton South Co-operative Bank under the new name The Village Bank. The current CRA examination is the first utilizing the large bank examination procedures for this institution.

Based upon The Village Bank's financial condition, size, product offerings, and branch network, the bank's ability to meet community credit needs is considered strong. There are no apparent financial or legal impediments that would limit the Bank's ability to help meet credit needs within the assessment area.

DESCRIPTION OF ASSESSMENT AREA

The Bank has defined an assessment area in accordance with the requirements of CRA. CRA requires financial institutions to identify an assessment area in which they intend to focus their lending efforts and in which regulators will evaluate the financial institution's CRA performance. The Bank has defined its assessment area as the municipalities of Newton, Waltham, Wayland, and Weston.

Demographic and Economic Data

Assessment Area 2002

The assessment area is comprised of 35 census tracts, which are broken down by three geographic income categories of moderate-, middle- and upper-income. The assessment area contains 4 moderate-income census tracts, 13 middle-income census tracts, and 18 upper-income census tracts. The City of Newton is the single municipality with the most tracts, including 4 of the 13 middle-income tracts and 14 of the 18 upper-income tracts. The remaining 9 middle-income tracts and all the moderate-income tracts are located in Waltham.

Demographic data obtained from CRA Wiz, based on 1990 census data, indicates that the Bank's assessment area contains a total population of 162,530 individuals. There are 60,107 housing units within the assessment area. Owner-occupied housing units represent 60.7 percent of the total units and vacant housing units represent 3.9 percent. Of the 57,582 households, 4.9 percent are below the poverty level.

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Moderate	11.43	8.11	8.32	2.87	17.17	12.65	180,500
Middle	37.14	40.40	40.36	33.94	51.34	40.58	198,187
Upper	51.43	51.49	51.32	63.19	31.48	46.76	340,587
Total	100.0	100.00	100.00	100.00	100.00	100.00	290,644

Source: 1990 U. S. Census

Assessment Area 2003

The assessment area is comprised of 35 census tracts broken down by the three geographic income categories of moderate-, middle- and upper-income. The assessment area contains 5 moderate-income census tracts, 13 middle-income census tracts, and 17 upper-income census tracts. The City of Newton is the single municipality with the most tracts, including 5 of the 13 middle-income tracts and 13 of the 17 upper-income tracts. The remaining 8 middle-income tracts and all moderate-income tracts are located in Waltham.

Demographic data obtained from CRA Wiz, based on 2000 census data, indicates that the assessment area's population increased 3 percent over 1990 to 167,624 individuals. Total housing units increased 6.88 percent to 64,552 housing units within the assessment area. Owner-occupied housing units represent 61.7 percent of the total units and vacant housing units represent 2.8 percent. The number of households living below the poverty level increased 13.66 percent over the 1990 census. Of the 62,704 households, 5.4 percent are below the poverty level.

The following table provides demographic and economic information pertaining to the Bank's assessment area.

Selected Housing Characteristics by Income Category of the Geography							
Geographic Income Category	Percentage						Median Home Value
	Census Tracts	Households	Housing Units	Owner- Occupied	Rental Units	Vacant Units	
Moderate	14.29	14.08	14.18	4.89	30.01	17.99	241,044
Middle	37.14	37.74	37.70	35.28	42.18	34.15	272,041
Upper	48.57	48.18	48.12	59.83	27.81	47.86	501,585
Total	100.00	100.00	100.00	100.00	100.00	100.00	412,693

Source: 2000 U. S. Census

The market in which the Bank operates is highly competitive. Based on the 2002 Home Mortgage Disclosure Act ("HMDA") aggregate data, there were 376 HMDA reporters that originated at least one home mortgage loan in the Bank's assessment area. Competitors include local and regional banks such as Washington Mutual Bank, FA and Fleet National Bank and large national mortgage companies such as Countrywide Home Loans and Wells Fargo Home Mortgage.

The assessment area's real estate prices are among the highest in state and continue to increase. In 2000, the median sales price¹ for a single family home ranged from a low of \$272,000 in Waltham to a high of \$843,750 in Weston. In 2004 the median sales price for a single family home ranged from a low of \$380,450 in Waltham to a high of \$1,172,500 in Weston.

According to the 2003 Business Geodemographic data compiled by CRA Wiz, there are more than 13,574 business establishments that operate within the assessment area. These businesses are heavily concentrated in the service industries. The majority of these businesses (63 percent) have gross annual revenues under \$1 million.

CONCLUSIONS WITH RESPECT TO PERFORMANCE TESTS

Scope of Evaluation

This performance evaluation assesses the Bank's performance under the Lending, Investment, and Service Tests. The evaluation included an analysis of Home Mortgage Disclosure Act ("HMDA") reportable loans and small business loans reported during the period January 1, 2002, through December 31, 2003. Small business loans, as defined in

¹ These prices were reported by Banker and Tradesman

the Consolidated Report of Condition and Income (Call Report) are loans that have original amounts of \$1 million or less and are either secured by nonfarm nonresidential properties or are classified as commercial and industrial loans. The evaluation period for the Bank's community development lending and services is from January 1, 2002, through December 31, 2003, also. The evaluation period for the Bank's investments is from January 1, 2002, through year-to-date August 16, 2004.

In addition, residential loan data of competing institutions was analyzed for 2002, the latest data available for comparison of aggregate residential loan information.

LENDING TEST

The institution's Lending Test performance was rated an overall "High Satisfactory." The institution's lending efforts are rated under the seven major performance criteria: Lending Activity, Geographic Distribution, Borrower Characteristics, Community Development Lending, Innovative or Flexible Lending Practices, Fair Lending, and Loss of Affordable Housing. The following information details the data compiled and reviewed, as well as conclusions on the Bank's performance.

Tables 1–11a, which appear at the end of the Public Evaluation, summarize the Bank's lending performance by loan product type. Tables 7a and 12a were excluded since they relate to the distribution of small loans to farms, which the Bank does not originate.

I. Lending Activity

Residential Loans

From January 1, 2002, through December 31, 2003, the Bank originated 688 HMDA-reportable loans totaling \$185,895,000. As the following table indicates the majority of home mortgage loans were originated inside the assessment area. Although both the number and dollar volume of the Bank's loans are considered, the number of loans is weighed more heavily than the dollar volume. The reasoning is the number of loans does not vary due to the applicant's income level, the size of the applicant's business or because of the varying housing values within the assessment area.

The number of loans originated inside the Bank's delineated assessment area constituted 60.61 percent of the total number, or 56.94 percent of the total dollar volume. The percentage of loans originated within the assessment area indicates an increase in 2003 due to the bank merger.

Loans originated outside of the delineated assessment area constituted 39.39 percent of the total number, or 43.06 percent of the total dollar volume. Refer to the following tables for additional information.

Distribution of Home Mortgage Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount		Number of Loans		Dollar Amount	
	#	%	\$ (000s)	%	#	%	\$(000s)	%
2002	169	57.88	45,500	55.03	123	42.12	37,188	44.97
2003	248	62.63	60,352	58.48	148	37.37	42,855	41.52
Totals	417	60.61	105,852	56.94	271	39.39	80,043	43.06

Source:

Data for the 376 lenders that made loans within the assessment area indicated that Washington Mutual Bank ranked first with a 12.23 percent market share. Fleet National Bank ranked second with 7.71 percent in market share.

The demand for residential mortgages within the assessment area remains competitive. As mentioned earlier, the Bank's lending strategy in addition to favorable low interest rates since the first quarter of 2002 has resulted in a strong demand for residential mortgage loans, especially refinanced loans.

Small Business Loans

The Bank's first year for reporting small business loans began in 2003. A total of 67 small business loans were originated for a dollar total of \$15.6 million. Of the total small business loans, 76.12 percent of the total number and 81.40 percent of the dollar volume was originated within the assessment area. The Bank's ratio of small business lending within the assessment area versus outside the assessment area is consistent and is considered strong. Refer to the following table for more detailed information.

Distribution of Small Business Loans Inside and Outside the Assessment Area								
Year	Inside				Outside			
	Number of Loans		Dollar Amount		Number of Loans		Dollar Amount	
	#	%	\$ (000s)	%	#	%	\$(000s)	%
2003	51	76.12	12,680	81.40	16	23.88	2,898	18.60
Totals	51	76.12	12,680	81.40	16	23.88	2,898	18.60

Source:

II. Geographic Distribution

The Bank's penetration of census tracts of different income levels is considered reasonable.

Residential Mortgage Loans

Tables 2a, 3a, 4a, and 5a in Appendix B are based on HMDA data for calendar years 2002 and 2003 and illustrate the geographic distribution of the Bank's residential mortgages among moderate-, middle-, and upper-income census tracts that constitute the assessment area. The tables show home purchase loans, home improvement loans, home mortgage refinance loans, and multifamily loans.

Table 2a and 2b illustrate the geographic distribution of home purchase loans within the assessment area. The Bank originated 49 home purchase loans during the two-year period. Loans originated within moderate-income geographies represented 4.55 percent in 2002. No home purchase loans were originated in moderate-income geographies in 2003. Loans originated within middle-income tracts represented 45.45 percent in 2002 and 59.26 percent in 2003. Aggregate data indicates a slightly higher rate of lending than the Bank in 2002 for moderate-income geographies with 4.84 percent. The contrast between the Bank's loans originated in 2002 and 2003 within moderate-income tracts is noted. As indicated in the Performance Context portion of this examination, the percentage of moderate-income tracts went from 11.43 percent based on the 1990 census to 14.29 percent based on the 2000 census. However, the Bank originated no home purchase loans in moderate-income tracts in 2003. Middle-income tracts remained unchanged and remained at 37.14 percent. Upper-income tracts went from 51.43 percent in 1990 to 48.57 percent in 2000. Consistent with the distribution of the assessment area's census tracts, the Bank originated the highest percentage of home purchase loans within upper-income census tracts in 2002 with 50 percent followed by middle-income tracts with 45.45 percent. Although middle-income tracts remained unchanged, 59.84 percent of home purchase loans were originated in 2003 compared to 40.74 percent in upper-income tracts.

The loan volume is within acceptable range considering the higher number of upper-income tracts and a slight increase in 2000 in the percentage of owner-occupied housing units within middle-income geographies.

Table 3a in Appendix B illustrates the geographic distribution of home improvement loans. The Bank originated only 1 home improvement loan in 2003 a number too small to evaluate for comparison. The table was included for informational purposes.

Tables 4a and 4b in Appendix B illustrate the geographic distribution of home refinance loans. The bank originated a total of 367 home refinance loans in 2002 and 2003. The bank originated 2.72 percent of these loans in moderate-income tracts in 2002 and none in 2003. The 2002 figure is below the aggregate figure of 2.99 percent for lending in moderate-income geographies. The Bank's figure is also slightly less than the rate of owner-occupancy in moderate-income tracts. The Bank originated the highest percentage of loans in upper-income tracts with 61.9 percent of total home refinance loans in 2002 and 62.73 percent in 2003. Loans in middle-income tracts were 35.37 percent in 2002 and 37.27 percent in 2003. The loan volume in middle- and upper-income geographies is appropriate given that the concentrations of owner-occupied units are in middle- and upper-income geographies.

The Bank reported no loans on multifamily properties in 2002 and 2003.

Small Business Loans

Table 6a in Appendix B illustrates the geographic distribution of small business loans. Similar to the residential mortgage data, the data in Table 6a compares the Bank's small business lending in each of the three census tract income groups to the proportion of small businesses located in each area. Since the Bank was not a small business reporter in 2002 a comparison of the Bank's lending activity to that of all other lenders doing business in the area is not appropriate.

As the data in Table 6a show, the Bank originated 51 small business loans within the assessment area in 2003. The Bank originated 11.76 percent of all small business loans in moderate-income census tracts during calendar year 2003 a figure that is proportionately higher than the 9.92 percent of small businesses operating in moderate-income tracts. Similarly, the Bank's small business loan activity in middle-income tracts for 2003 at 47.06 percent is higher than the percentage of small businesses (39.84 percent) operating in middle-income tracts. The Bank's loans originated in upper-income tracts, at 41.18 percent, was considerably less than the 50.24 percent of small businesses operating in upper-income tracts.

III. Borrower Characteristics

Residential Mortgage Loans

The distribution of loans, given the product lines offered by the Bank and the economic climate of the assessment area, reflects reasonable penetration among residential customers of different income levels and small business customers of different sizes. For comparison, the 2002 and 2003 distribution of the assessment areas' families² and by borrower income level and 2002 aggregate data is also shown. Aggregate data for 2003 was not available at the time of this evaluation.

Tables 8a, 9a and 10a in Appendix B are based on HMDA data for the period reviewed and respectively illustrate the distribution of the Bank's home purchase loans, home improvement loans, and home mortgage refinance loans among low-, moderate-, middle-, and upper-income borrowers in the assessment area. Data regarding multifamily properties are not provided since borrowers' income data are not collected for this type of credit.

Table 8a, which illustrates the borrower distribution of home purchase loans, indicates that the Bank originated 49 loans in the period reviewed. Loans to low-income borrowers in 2002 are 4.76 percent. There were no home purchase loans to low-income borrowers in 2003. These figures are considerably less than the low-income families in 2002 and 2003 with 11.57 percent and 14.14, respectively. Loans to moderate-income borrowers fared considerably better in 2002 and 2003 with 9.52 percent and 40.00 percent, respectively. The 2002 figure was in line with the percentage of moderate-income families within the assessment area and the 2003 figure was more than twice the percentage of moderate-income families. Data indicates that moderate-income families in 2002 and 2003 were 13.89 percent and 14.59 percent, respectively. Aggregate loan data for 2002 indicated loans originated among low- and moderate-income borrowers was 1.66 percent and 8.97 percent, respectively. These percentages are less than the Bank's figures. The overall concentration of the Bank's home purchase loans is slightly higher among upper-income borrowers with 57.14 percent in 2002 and 36.00 percent in 2003. Although, the loans to low-income individuals is proportionately lower than the 14.14 percent of low-income families, the penetration is considered reasonable since approximately 2.8 percent of the families within the assessment area are below the poverty level and could not afford the costs associated with homeownership, especially

² 2002 based on 1990 Census Data 2003 Based on 2000 Census Data

in the Bank's market area which is hampered by the cost of homes in relation to income. Even with the Bank's flexible lending programs, the cost of local real estate is greater than what many low-income families could afford.

Tables 10a and 10b in Appendix B illustrate the borrower distribution of home mortgage refinance loans. The Bank originated 367 mortgage refinance loans in 2002 and 2003. For calendar year 2002, the Bank's distribution of mortgage refinance loans to low-income borrowers at 3.47 percent was more than the 1.84 percent for the aggregate. In 2002 the Bank's loans to moderate-income borrowers at 9.72 percent compared closely to the 9.05 percent for the aggregate. In 2003, the Bank's refinance lending among low- and moderate-income borrowers increased to 5.07 percent and 17.05 percent, respectively.

In 2002, the Bank originated refinance loans to middle- and upper-income borrowers at 25.69 percent and 61.11 percent, respectively. These figures more closely reflect those of the aggregate. Loans to middle-income borrowers for both the Bank and the aggregate were comparable to the percent of middle-income families. In 2003, the Bank's lending to middle- and upper-income borrowers, at 26.73 percent and 51.15 percent, respectively, was similar to the 2002 percentages.

To assist lower income individuals achieve homeownership, the Bank offers a number of in-house and government sponsored affordable housing programs. These programs offer expanded debt-to-income ratios and lower downpayment requirements.

Small Business Loans

As indicated in Table 11a, the Bank's level of lending to businesses with gross annual revenues of \$1 million or less is considered reasonable. During the period reviewed, the Bank originated 51 small business loans within the assessment area.

In calendar year 2003, the Bank originated 70.59 percent of its small business loans within the assessment area to businesses with gross annual revenues of \$1 million or less. The Bank's level of performance was more than the 63.39 percent of small businesses with revenues of \$1 million or less in 2003.

The Bank originated a good number (47.06 percent) of small business loans with dollar amounts of less than \$100,000. These figures are indicative of the Bank's commitment to serving the credit needs of smaller businesses within the assessment area.

IV. Community Development Lending

The Village Bank's community development lending activities are evaluated pursuant to the following criteria: 1) the extent to which community development lending opportunities have been made available to the institution; 2) the responsiveness of the institution's community development lending; and 3) the extent the institution has demonstrated leadership in community development lending.

The Village Bank has a relatively high level of community development loans and in some cases has taken a leadership position in making community development loans. For the period reviewed, the Bank provided community development financing totaling more than

\$6.6 million in the form of working capital loans, rehabilitation loans, construction and permanent financing loans that promote affordable housing. These loans were made to individuals, non profit organizations and in conjunction with local and statewide government sponsored programs that included the Bank's assessment area. Detailed below are the community development loans that the Bank originated during the rating period.

In 2002, the Bank provided a \$1,674,400 construction/permanent loan to a non-profit organization in Newton. The project consisted of 5 units, 3 of which were bought down by the City of Newton for the purpose of providing affordable housing opportunities for qualified City of Newton employees whose incomes are 80 to 100 percent of the area median.

In 2003, the Bank provided a \$1,949,596 construction loan to the same non-profit organization in Newton. This 5-unit project consisted of 2 affordable units and 3 market rate units in Newton. In addition, this project converted an existing structure into 3 affordable condominium units.

Also in 2003, the Bank provided another non-profit organization in Newton with a \$1,150,000 mortgage for an 11 unit housing complex for low- and moderate-income senior citizens.

In addition, the Bank provided temporary financing totaling \$1,750,000 in 2003 for the construction of a 12-unit project in Wellesley. This \$3.5 million project set aside 3 units designated for low- and moderate-income families.

Furthermore, in 2003 the Bank provided lines of credit renewals and increases totaling \$150,000 to a local non-profit organization. This organization provides residential support for developmentally handicapped adults. The proceeds were to be used in conjunction with accounts receivable and inventory.

V. Innovative or Flexible Lending Practices

The Village Bank's innovative and flexible lending practices are evaluated based on the degree to which the loans serve low- and moderate-income individuals and geographies in new ways or serve groups of creditworthy borrowers not previously served by the institution.

First Time Homebuyer Program

This in-house program was designed for the first time homebuyer purchasing a 1-to-4 family home or condominium. Sales price limits are \$333,700 for an existing single family residence, \$427,150 for a 2-family residence, \$516,300 for a 3-family residence, and \$641,650 for a 4-family residence. Loans are 7/1 adjustable rate mortgages. A minimum down payment of 5 percent is required. A 10 percent downpayment is also offered with no Private Mortgage Insurance. Total downpayment in the form of a gift is accepted. The Bank originated \$5,302,970 in first time homebuyer loans during the review period.

Small Business Loan Program

The Bank participates in the Small Business Administration ("SBA") loan program. In 2003, the Bank originated a construction permanent loan in Newton totaling \$2.5 million under the SBA 504 Program.

VI. Fair Lending Policies and Practices

The Village Bank's fair lending practices were reviewed to determine how they relate to the guidelines set forth in Regulatory Bulletin 2.3-101, the Division's Community Reinvestment and Fair Lending Policy. The Bank maintains a formal fair lending policy. The Bank's fair lending policy and procedures are comprehensive in nature and address specific areas such as loan review, staff training, fair lending procedures, a loan application and evaluation process as well as applicable rules and regulations regarding the Equal Credit Opportunity Act, The Fair Housing Act, HMDA and CRA.

All employees are provided with training appropriate to their job description and their responsibilities relative to the Bank's fair lending standards. This includes information regarding both technical requirements and the more substantive and subtle issues related to unintentional discrimination and quality of assistance.

Some members of the Bank's staff volunteer time at a variety of area organizations in need of their expertise. Primarily, the Bank markets its service and products through print media and the Internet. In addition, there are some employees who speak a second language, which aids customers who may not be fluent in English.

Minority Application Flow

A review of the Bank's residential loan application flow was conducted. The purpose of the review is to determine the number of applications the Bank received from minority applicants.

As indicated in the following table the Bank received a total of 463 residential applications from individuals within the assessment area during the two-year period. A total of 22 applications, or 4.7 percent, was received from minority applicants. Of the total applications received by minority applicants, 95.5 percent were approved.

Minority Application Flow*								
Race	Aggregate Data 2002		Bank 2002		Bank 2003		Bank Total	
	#	%	#	%	#	%	#	%
Native American	43	0.2	1	0.5	0	0.0	1	0.21
Asian	1,087	4.9	3	1.6	0	0.0	3	0.65
Black	158	0.7	3	1.6	3	1.1	6	1.30
Hispanic	241	1.1	0	0.0	1	0.4	1	0.21
Joint	299	1.4	5	2.6	3	1.1	8	1.73
Other	257	1.2	1	0.5	2	0.7	3	0.65
Total Minority	2,085	9.5	13	6.8	9	3.3	22	4.75
White	12,260	55.6	177	92.7	261	96.0	438	94.60
NA	7,691	34.9	1	0.5	2	0.7	3	0.65
Total	22,036	100.0	191	100.0	272	100.0	463	100.0

*Source: PCI Services, Inc. CRA Wiz software

The Village Bank's application flow was compared to the 2002 aggregate data for all other HMDA reporters within the assessment area. In addition, the Bank's minority application flow was compared with the racial composition of the assessment area. The comparison of this data assists in deriving reasonable expectations for the institution's application flow.

Aggregate information for 2002, as shown in the preceding table, indicated that 9.5 percent of the total applications received from all other HMDA reporters were from minority applicants. By comparison, The Village Bank's minority flow is lower than the aggregate, with 6.8 percent of total applications received from minority applicants in 2002. According to the 1990 U.S. Census Data, the assessment area contained a total population of 162,530 individuals. Minority individuals accounted for 9.5 percent of the total population, which corresponds to the aggregate application flow. This figure is in distinct contrast to the rate of applications the Bank received from minority individuals.

VII. Loss of Affordable Housing

The Bank's lending programs that include community development and flexible underwriting have assisted low- and moderate-income individuals to remain in their neighborhoods.

Conclusion Lending Test

The Village Bank has demonstrated a good level of responsiveness to community credit needs. The majority of the Bank's residential and small business loans are made inside the assessment area and the distribution of loans among borrowers of different income levels and businesses of different sizes is strong. In addition, the Bank has established a good record within its assessment area by helping to serve the credit needs of moderate-income geographies, low- and moderate-income borrowers, and businesses with gross annual revenues of \$1 million or less. The Bank has granted a good level of community development loans. Based on the aforementioned, the institution's overall lending performance is considered "High Satisfactory."

INVESTMENT TEST

The Investment Test evaluates the institution's record of helping to meet the credit needs of its assessment area through its use of qualified investments that benefit the assessment area or a broader statewide or regional area that includes the institution's assessment area. The institution's investment performance is evaluated pursuant to the following criteria: 1) the dollar amount of qualified investments; 2) the innovativeness or complexity of qualified investments; 3) the responsiveness of qualified investments to credit and community development needs; and 4) the degree to which the qualified investments are not routinely provided by private investors.

As defined under the CRA regulation, a qualified investment is a lawful investment, deposit, membership share or grant that has community development as its primary purpose. Community development includes affordable housing for low and moderate-income individuals, community services targeted to low and moderate-income individuals, activities that promote economic development by financing small businesses or small farms, and activities that revitalize or stabilize low and moderate-income geographies. The following describes the institution's qualified investments.

The Village Bank has demonstrated an adequate responsiveness to community housing and economic development needs. The majority of contributions went toward the support of non-profit organizations that assist low- and moderate-income individuals and provide youth programs, health and human services, and education and training. The Village Bank is rated "Satisfactory" in this area.

Charitable Contributions

Between January 1, 2002, and August 2004, the Bank provided \$245,136 in charitable contributions. These donations were granted by way of direct contributions. Of the total dollar amount granted through direct contributions, \$53,400 was made to organizations that promote or provide services to low- and moderate-income individuals within the assessment area.

The qualified contributions benefited 30 different organizations. A highlight of these organization include; **Newton Child Care Commission and Fund**, which provides support to single low- and moderate-income parents and child care services, **Boys and Girls Club**, whose mission is to provide developmental opportunities to all youth, particularly the disadvantaged; **West Suburban and YWCA of Greater Boston Waltham Branch**, a regional provider of out reach service to children and families; **Springwell**, an agency whose services include financial management assistance and education for the elderly; **Newton Wellesley Weston Committee for Community Living**, a multi-service organization, offering consulting, counseling and education to promote and support mentally-handicapped individuals.

Auburndale Community Foundation

Although it does not qualify for consideration as a qualified investment the Bank has established a charitable foundation of which all contributions go toward scholarships for high school students attending Newton or Wayland schools. Scholarships are based on merit not financial need. Scholarships for calendar years 2002, 2003 and year-to-date 2004 total \$32,000.

Conclusion – Investment Test

The Bank's activities since the last CRA report of examination demonstrates that adequate efforts have been undertaken in addressing the local area needs through contributions and grants to local charitable and social service organizations. The Bank's use of innovative or complex investments in support of community development initiatives is rare. The Village Bank's performance indicates that a satisfactory level of qualified grants and charitable contributions have been made during this review period.

SERVICE TEST

The service test evaluates an institution's record of helping to meet the credit needs of its assessment area by analyzing the availability and effectiveness of an institution's systems for delivering retail banking services; and the extent and innovativeness of its community development services. Overall, The Village Bank's retail service delivery systems are accessible to geographies and individuals of different income levels within its assessment area. To the extent changes have been made, its record of opening and closing branches has not adversely affected the accessibility of its delivery systems. The Village Bank's officers and staff provide a good level of community development services including educational services. The Bank's service activities are rated "High Satisfactory."

RETAIL BANKING SERVICES

In regards to an institution's retail services, the Service Test evaluates the distribution of branches among low-, moderate-, middle-, and upper-income geographies; and the institution's recording of opening and closing branches; particularly, those located in low- and moderate-income geographies or primarily, serving low- and moderate-income individuals. Furthermore, the test evaluates the availability and effectiveness of alternative delivery systems (for retail services) in low- and moderate-income census tracts and to low- and moderate-income individuals; and the range of services provided in low-, moderate-, middle-, and upper-income census tracts and the degree to which services are tailored to meet the needs of those geographies. Since the Bank's assessment area has no low-income geographies, the evaluation of the distribution of branches, delivery systems, and range of services focus on moderate-, middle-, and upper-income tracts.

Distribution of Branches

The Village Bank's main office, located in Auburndale, is situated within an upper-income census tract. The Bank also operates the Village Loan Center next door to the main office. Additionally, the Bank operates five full-service branch offices. Based on 2000 Census data, branch offices located in the Newton Villages of Newtonville, Waban, and the Town of Wayland are situated within upper-income census tracts. The remaining two branch offices located in the Nonantum and Newton Highlands section of Newton reside in middle-income tracts, which were acquired through the merger with Newton South Co-operative Bank in September 2003. In addition, the Bank operates a limited-service branch located in the Lasell Village senior housing development in Newton.

The Bank's hours of operation are considered to be convenient and comparable to other local financial institutions. All branches offer extended lobby hours, either on Thursday and Friday and in the case of the Wayland and Newton Highlands branches on Thursday evening and Saturday morning. The Waban branch offers extended hours on Monday evening and Saturday morning. Likewise, all offices have ATMs that provide 24-hour network access and are linked to the NYCE and Cirrus networks. The bank is a member of the SUM alliance. This service allows the Bank's customers surcharge-free use of ATMs operated by other SUM member institutions.

Alternative Retail Banking Services

The Village Bank offers the same banking services and products in each of its branch offices. Similarly, each branch office has staff who can take loan applications for all retail credit products offered by the Bank, including mortgage and home equity applications.

The Bank provides free telephone and online banking to all account customers. The automated telephone system provides 24 hour 7 days a week account information and access. Access allows customers to check current balance and transaction information, transfer funds between accounts, and information on interest rates and maturity dates and on a certificate of deposit. The Bank's online/internet banking provides 24 hour, 7 days a week account access and information similar to the telephone banking and also offers online bill paying service and stock quotes. In addition, each branch provides night depository service. The Auburndale, Newtonville, and Waban branch locations are equipped with handicapped teller window service.

Additionally, the Bank has a Business Call Program, an outreach program established at each branch location whereby branch managers, mortgage originators, and commercial loan officers conduct calls to potential business customers. Also, the Bank's loan originators keep in close contact with real estate brokers within the assessment area by way of weekly calls.

Other Retail Services

The Bank is a participant in the State Treasurer's "Best Value Banking Program" which provides an interactive web site designed to help Massachusetts consumers find a financial institution that meets their unique banking needs. In addition, the Bank meets the requirements of the Massachusetts Community and Banking Councils Basic Banking for Massachusetts program, which encourages Massachusetts banks to establish minimum requirement standards that encourage individuals typically unable to afford the costs associated with checking and/or savings accounts to establish banking relationships through low cost accounts.

A wide variety of lending products is also offered by the Bank. Residential mortgage loan products are offered at fixed and adjustable interest rates and include construction, construction-permanent, and investment property mortgages. The Bank offers pre-approval service for customers. The Bank also offers a variety of consumer loans including personal loans, automobile loans, passbook secured loans, overdraft protection, student loans, home equity lines of credit, home improvement loans, and home equity loans. Commercial loans are also available and include an SBA loan product, commercial real estate loans, commercial lines of credit, and term loans.

COMMUNITY DEVELOPMENT SERVICES

Community development services are evaluated based on the extent to which the institution provides community development services and the innovativeness and responsiveness of the services provided.

The Bank's officers and staff members provide financial or technical expertise to several organizations, involved in either economic development, initiatives to revitalize low- and

moderate-income census tracts, affordable housing or, human services that target low- and moderate-income individuals. Overall, The Village Bank's qualified services, as detailed below, demonstrate a fair level of community development services.

During the period reviewed, the Bank's president served as area chairman for **Easter Seals** a charitable organization that provides medical and social services to individuals with Multiple Sclerosis and other debilitating illnesses. Also, the president served as former chairman of **Newton Childcare Commission** whose mission is to provide affordable childcare services to low- and moderate-income families. The president also served as director of the Newton Wellesley Hospital an organization whose mission is to provide health care and social services.

The Bank's vice president and treasurer is the treasurer for **Cooperative Living of Newton**, an affordable housing organization in Newton that promotes intergenerational housing for low- and moderate-income individuals.

A Bank senior vice president and an assistant treasurer teach financial literacy in the **Second Step Program** in Newton. The mission of this program is to provide transitional housing and support to women of domestic violence.

The Bank's compliance officer is a director and serves on the auction and personnel committees of the Newton **Boys and Girls Club**. This organization provides support and activities for local youth. In addition, as a committee member of the **Brookline-Newton-Watertown Homeless Consortium**, the compliance officer provides background information and suggestions on the role that the financial community could play in providing affordable housing. This organization's mission is to address the common problem of homelessness in these areas. Furthermore, the compliance officer is a financial literacy teacher for the **Second Step Program** and helps facilitate the eight-week financial literacy course several times a year.

A senior vice president has provided financial guidance to the Wayland Housing Authority's affordable housing project.

A branch manager is a director and past president of **New England Association of Retail Lenders** a non-profit credit counseling organization.

Massachusetts Community Banking Council's (MCBC) Basic Banking Program. This program was launched in 1994 by the MCBC to expand access to bank products and services and to encourage those with modest incomes to establish banking relationships. The Bank offers a Regular Savings and Basic Checking account that meet this program's guidelines.

EDUCATIONAL SERVICES AND SEMINARS

The Bank worked with the Newton Housing and Community Development Program in designing the Newton First Time Homebuyer Program. Representatives from the City of Newton in conjunction with two bank vice presidents developed underwriting elements of the program, which will make funds available to low- and moderate-income households to

purchase a home in Newton. Funding for this program is provided through block grants and the HOME program. The money provides gap financing, which gives first time homebuyers additional purchasing power when combined with a conventional first mortgage. This program is designed to give low- and moderate-income applicants the opportunity to purchase a home in Newton.

A Bank representative will meet with individuals and provide first time homebuyer counseling upon request.

The Bank has developed a financial literacy program using the FDIC's Money Smart module and presents this useful tool to battered women in the Second Step program. Second Step is a non-profit organization that provides transitional housing and services to women in crisis situations. Various individuals representing the Bank conduct seminars on budgeting, checking accounts, obtaining credit, and correcting credit reports.

In addition, representatives of the Bank serve as panelists in annual seminars conducted by the Women Building Community Conference, which is targeted to women's financial issues.

Conclusion - Service Test

The Village Bank's performance under the service test is considered to be "High Satisfactory". Overall, the Bank's retail service delivery systems are considered reasonably accessible to geographies and individuals of different income levels within its assessment area. As noted above, the Bank demonstrates a good performance in providing community development services and credit education services. Its officers and staff provide a reasonably high level of qualified services to a number of area organizations.

APPENDIX A

SCOPE OF EXAMINATION

Write a short description of the scope of examination. At a minimum, discuss the specific lending products reviewed, the names of any affiliates reviewed and their corresponding lending products, the institution's assessment areas, and whether its activities were reviewed on, or off-site, and the time period covered in the review.

THE VILLAGE BANK

SCOPE OF EXAMINATION: The examination included an on-site analysis of all HMDA and CRA reported loans for the period noted below.

Residential aggregate loan data was reviewed during the examination and included comparative loan data of competing institutions. THE VILLAGE BANK has one assessment area, which was reviewed using the large bank examination procedures.

TIME PERIOD REVIEWED: January 1, 2002– December 31, 2003

PRODUCTS REVIEWED: HMDA-reportable Loans and Small Business Loans

APPENDIX B

FFIEC Core Tables

[Dates From January 1, 2002 To December 31, 2003]

The Federal Financial Institution Examination Council (FFIEC) has adopted a standard set of data tables, sequentially numbered 1-15, for use in every large bank CRA Public Evaluation. Any tables not included in the Public Evaluation were excluded because the institution has not originated or purchased any loans in the relevant category during the period under review or did not elect to report consumer loan data.

LENDING ACTIVITY

Table 1	Lending Volume
Table 2a	Geographic Distribution of Home Purchase Loans
Table 3a	Geographic Distribution of Home Improvement Loans
Table 4a	Geographic Distribution of Home Mortgage Refinance Loans
Table 5a	Geographic Distribution of Multifamily Loans
Table 6a	Geographic Distribution of Small Loans to Businesses
Table 8a	Borrower Distribution of Home Purchase Loans
Table 9a	Borrower Distribution of Home Improvement Loans
Table 10a	Borrower Distribution of Home Mortgage Refinance Loans
Table 11a	Borrower Distribution of Small Loans to Businesses

INVESTMENTS AND BRANCHES

Table 14	Qualified Investments
Table 15	Distribution of Branch Delivery System and Branch Openings/Closings

Institution ID: 26336

Table 1. Lending Volume

LENDING VOLUME													Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003					
MA/Assessment Area (2003):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***										
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)											
Full Review:																						
The Village Bank 2002	100.00	169	45,500	0	0	0	0	0	0	169	45,500	0.00										

* Loan Data as of December 31, 2002. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 01, 2002 to December 31, 2003.

*** Deposit Data as of December 31, 2003. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Table 1a. Lending Volume

LENDING VOLUME		Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area (2003):	% of Rated Area Loans (#) in MA/AA*	Home Mortgage		Small Loans to Businesses		Small Loans to Farms		Community Development Loans**		Total Reported Loans		% of Rated Area Deposits in MA/AA***
		#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$ (000's)	#	\$(000's)	
Full Review:												
The Village Bank 2003	100.00	248	60,352	51	12,680	0	0	0	0	299	73,032	100.00

* Loan Data as of December 31, 2003. Rated area refers to either the state or multi-state MA rating area.

** The evaluation period for Community Development Loans is From January 12, 2002 to December 31, 2003.

*** Deposit Data as of June 30, 2004. Rated Area refers to either the state, multi-state MA, or institution, as appropriate.

Institution ID: 26336

Table 2a. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income [*]			
	#	% of Total ^{**}	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	% Owner Occ Units ^{***}	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	22	100.00	0.00	0.00	2.87	4.55	33.94	45.45	63.19	50.00	0.00	4.84	38.32	56.83

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 1.

^{**} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

^{***} Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 1990 Census information.

Table 2b. Geographic Distribution of Home Purchase Loans

Geographic Distribution: HOME PURCHASE			Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	27	100.00	0.00	0.00	4.89	0.00	35.28	59.26	59.84	40.74				

* Based on Peer Data is not available.

** Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by the number of owner occupied housing units in the area based on 2000 Census information.

Institution ID: 26336

Table 3a. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	0	0.00	0.00	0.00	2.87	0.00	33.94	0.00	63.19	0.00	0.00	2.13	30.91	66.96

* Based on 2002 Peer Mortgage Data: Northeast Region 1.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 3b. Geographic Distribution of Home Improvement Loans

Geographic Distribution: HOME IMPROVEMENT				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	1	100.00	0.00	0.00	4.89	0.00	35.28	0.00	59.84	100.00				

* Based on Peer Data is not available.

** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

Institution ID: 26336

Table 4a. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	147	100.00	0.00	0.00	2.87	2.72	33.94	35.37	63.19	61.90	0.00	2.99	30.01	67.00

* Based on 2002 Peer Mortgage Data: Northeast Region 1.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 1990 Census information.

Table 4b. Geographic Distribution of Home Mortgage Refinance Loans

Geographic Distribution: HOME MORTGAGE REFINANCE					Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003					
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	% Owner Occ Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	220	100.00	0.00	0.00	4.89	0.00	35.28	37.27	59.84	62.73				

* Based on Peer Data is not available.

** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

*** Percentage of Owner Occupied Units is the number of owner occupied housing units in a particular geography divided by number of owner occupied housing units in the area based on 2000 Census information.

Institution ID: 26336

Table 5a. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY			Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income [*]			
	#	% of Total ^{**}	% of MF Units ^{***}	% BANK Loans	% MF Units ^{***}	% BANK Loans	% MF Units ^{***}	% BANK Loans	% MF Units ^{***}	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	0	0.00	0.00	0.00	13.86	0.00	54.78	0.00	31.36	0.00	0.00	34.62	50.00	15.38

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 1.

^{**} Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

^{***} Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 1990 Census information.

Table 5b. Geographic Distribution of Multifamily Loans

Geographic Distribution: MULTIFAMILY		Geography: THE VILLAGE BANK					Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Multifamily Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate HMDA Lending (%) by Tract Income*			
	#	% of Total**	% of MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	% MF Units***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	0	0.00	0.00	0.00	28.15	0.00	39.17	0.00	32.67	0.00				

* Based on Peer Data is not available.

** Multifamily loans originated and purchased in the MA/AA as a percentage of all multifamily loans originated and purchased in the rated area.

*** Percentage of multifamily units is the number of multifamily housing units in a particular geography divided by number of multifamily housing units in the area based on 2000 Census information.

Table 6a. Geographic Distribution of Small Loans to Businesses

Geographic Distribution: SMALL LOANS TO BUSINESSES				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Small Business Loans		Low-Income Geographies		Moderate-Income Geographies		Middle-Income Geographies		Upper-Income Geographies		Aggregate Lending (%) by Tract Income*			
	#	% of Total**	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	% of Businesses***	% BANK Loans	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	51	100.00	0.00	0.00	9.92	11.76	39.84	47.06	50.24	41.18				

* Based on Aggregate Small Business Data Only.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Source Data - Dun and Bradstreet (2003).

Institution ID: 26336

Table 8a. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data [*]			
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	22	100.00	11.57	4.76	13.89	9.52	20.27	28.57	54.28	57.14	1.66	8.97	20.46	68.91

^{*} Based on 2002 Peer Mortgage Data: Northeast Region 1.

^{**} As a percentage of loans with borrower income information available. No information was available for 4.55% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 1990 Census information.

^{****} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 8b. Borrower Distribution of Home Purchase Loans

Borrower Distribution: HOME PURCHASE			Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Home Purchase Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data [*]			
	#	% of Total ^{**}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	% Families ^{***}	% BANK Loans ^{****}	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	27	100.00	14.14	0.00	14.59	40.00	18.53	24.00	52.74	36.00				

^{*} Based on Peer Data is not available.

^{**} As a percentage of loans with borrower income information available. No information was available for 7.41% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 2000 Census information.

^{****} Home purchase loans originated and purchased in the MA/AA as a percentage of all home purchase loans originated and purchased in the rated area.

Table 9a. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT			Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003							
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	0	0.00	11.57	0.00	13.89	0.00	20.27	0.00	54.28	0.00	3.35	9.43	17.19	70.02

* Based on 2002 Peer Mortgage Data: Northeast Region 1.

** As a percentage of loans with borrower income information available. No information was available for *****% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Table 9b. Borrower Distribution of Home Improvement Loans

Borrower Distribution: HOME IMPROVEMENT				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Improvement Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2003	1	100.00	14.14	0.00	14.59	0.00	18.53	0.00	52.74	100.00				

^{*} Based on Peer Data is not available.

^{**} As a percentage of loans with borrower income information available. No information was available for 0.00% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 2000 Census information.

^{****} Home improvement loans originated and purchased in the MA/AA as a percentage of all home improvement loans originated and purchased in the rated area.

Institution ID: 26336

Table 10a. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE				Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003						
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*			
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp
Full Review:														
The Village Bank 2002	147	100.00	11.57	3.47	13.89	9.72	20.27	25.69	54.28	61.11	1.84	9.05	18.98	70.13

* Based on 2002 Peer Mortgage Data: Northeast Region 1.

** As a percentage of loans with borrower income information available. No information was available for 2.04% of loans originated and purchased by BANK.

*** Percentage of Families is based on the 1990 Census information.

**** Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table 10b. Borrower Distribution of Home Mortgage Refinance Loans

Borrower Distribution: HOME MORTGAGE REFINANCE															Geography: THE VILLAGE BANK				Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003			
MA/Assessment Area:	Total Home Mortgage Refinance Loans		Low-Income Borrowers		Moderate-Income Borrowers		Middle-Income Borrowers		Upper-Income Borrowers		Aggregate Lending Data*											
	#	% of Total**	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	% Families***	% BANK Loans****	Low	Mod	Mid	Upp								
Full Review:																						
The Village Bank 2003	220	100.00	14.14	5.07	14.59	17.05	18.53	26.73	52.74	51.15												

^{*} Based on Peer Data is not available.

^{**} As a percentage of loans with borrower income information available. No information was available for 1.36% of loans originated and purchased by BANK.

^{***} Percentage of Families is based on the 2000 Census information.

^{****} Home mortgage refinance loans originated and purchased in the MA/AA as a percentage of all home mortgage refinance loans originated and purchased in the rated area.

Table11a. Borrower Distribution of Small Loans to Businesses

Borrower Distribution: SMALL LOANS TO BUSINESSES					Geography: THE VILLAGE BANK			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003	
MA/Assessment Area:	Total Small Loans to Businesses		Businesses With Revenues of \$1 million or less		Loans by Original Amount Regardless of Business Size			Aggregate Lending Data*	
	#	% of Total**	% of Businesses***	% BANK Loans****	\$100,000 or less	>\$100,000 to \$250,000	>\$250,000 to \$1,000,000	All	Rev\$ 1 Million or Less
Full Review:									
The Village Bank 2003	51	100.00	63.39	70.59	47.06	21.57	31.37		

* Based on Aggregate Small Business Data Only.

** Small loans to businesses originated and purchased in the MA/AA as a percentage of all small loans to businesses originated and purchased in the rated area.

*** Businesses with revenues of \$1 million or less as a percentage of all businesses (Source D&B - 2003).

**** Small loans to businesses with revenues of \$1 million or less as a percentage of all loans reported as small loans to businesses. No information was available for 1.96% of small loans to businesses originated and purchased by the bank.

Institution ID: 26336

Table 14. Qualified Investments

QUALIFIED INVESTMENTS		Geography: THE VILLAGE BANK			Evaluation Period: JANUARY 1, 2002 TO DECEMBER 31, 2003				
MA/Assessment Area:	Prior Period Investments*		Current Period Investments		Total Investments			Unfunded Commitments**	
	#	\$(000's)	#	\$(000's)	#	\$(000's)	% of Total	#	\$(000's)
Full Review:									
The Village Bank 2002	0	0	0	0	0	0	0.00	0	0
The Village Bank 2003	0	0	0	0	0	0	0.00	0	0

* 'Prior Period Investments' means investments made in a previous evaluation period that are outstanding as of the examination date.

** 'Unfunded Commitments' means legally binding investment commitments that are tracked and recorded by the institution's financial reporting system.

Institution ID: 26336

The Village Bank 2002

Demographic Information for Full Scope Area: The Village Bank 2002						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	35	0.00	11.43	37.14	51.43	0.00
Population by Geography	162,530	0.00	7.22	39.69	53.09	0.00
Owner-Occupied Housing by Geography	36,470	0.00	2.87	33.94	63.19	0.00
Business by Geography	12,909	0.00	5.79	41.54	52.68	0.00
Farms by Geography	141	0.00	3.55	43.97	52.48	0.00
Family Distribution by Income Level	38,425	11.57	13.89	20.27	54.28	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	9,780	0.00	13.62	51.24	35.14	0.00
Median Family Income HUD Adjusted Median Family Income for 2003 Households Below Poverty Level		48,688 74,200 4.9%	Median Housing Value Unemployment Rate (1990 US Census)		266,814 2.68%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 1990 US Census and 2003 HUD updated MFI

The Village Bank 2003

Demographic Information for Full Scope Area: The Village Bank 2003						
Demographic Characteristics	#	Low % of #	Moderate % of #	Middle % of #	Upper % of #	NA* % of #
Geographies (Census Tracts/BNAs)	35	0.00	14.29	37.14	48.57	0.00
Population by Geography	167,624	0.00	11.19	37.66	51.15	0.00
Owner-Occupied Housing by Geography	39,812	0.00	4.89	35.28	59.84	0.00
Business by Geography	13,574	0.00	9.92	39.84	50.24	0.00
Farms by Geography	164	0.00	7.93	44.51	47.56	0.00
Family Distribution by Income Level	39,937	14.14	14.59	18.53	52.74	0.00
Distribution of Low and Moderate Income Families throughout AA Geographies	11,474	0.00	18.77	45.84	35.38	0.00
Median Family Income HUD Adjusted Median Family Income for 2003 Households Below Poverty Level		74,121 0 5.36%	Median Housing Value Unemployment Rate (2000 US Census)		372,405 2.07%	

(*) The NA category consists of geographies that have not been assigned an income classification.
Source: 2000 US Census and 2003 HUD updated MFI

THE COMMONWEALTH OF MASSACHUSETTS

To the COMMISSIONER OF BANKS:

THIS IS TO CERTIFY, that the report of examination of the

THE VILLAGE BANK

for compliance with applicable consumer and fair lending rules and regulations and the Community Reinvestment Act (CRA), as of the close of business **AUGUST 16, 2004**, has been read to or by the undersigned and the matters referred to therein will have our immediate attention.

_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

A majority of the Board of Directors/Trustees

Dated at _____ this _____ day of _____ 20 ____

PERFORMANCE EVALUATION DISCLOSURE GUIDE

Massachusetts General Laws Chapter 167, Section 14, as amended, and the Uniform Interagency Community Reinvestment Act (CRA) Guidelines for Disclosure of Written Evaluations require all financial institutions to take the following actions within 30 business days of receipt of the CRA evaluation of their institution:

- 1) Make its most current CRA performance evaluation available to the public;
- 2) At a minimum, place the evaluation in the institution's CRA public file located at the head office and at a designated office in each assessment area;
- 3) Add the following language to the institution's required CRA public notice that is posted in each depository facility:

"You may obtain the public section of our most recent CRA Performance Evaluation, which was prepared by the Massachusetts Division of Banks, at (Address at main office)."

[Please Note: If the institution has more than one local community, each office (other than off-premises electronic deposit facilities) in that community shall also include the address of the designated office for that assessment area.]

- 4) Provide a copy of its current evaluation to the public, upon request. In connection with this, the institution is authorized to charge a fee which does not exceed the cost of reproduction and mailing (if applicable).

The format and content of the institution's evaluation, as prepared by its supervisory agency, may not be altered or abridged in any manner. The institution is encouraged to include its response to the evaluation in its CRA public file.

